

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

|  |  |  |  |  |   |   |   |   |   |
|--|--|--|--|--|---|---|---|---|---|
|  |  |  |  |  | y | y | / | 0 | 5 |
|--|--|--|--|--|---|---|---|---|---|

# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 2, 2018/2019

**BAC2664 – AUDITING**

(All sections / Groups)

1<sup>st</sup> MARCH 2019

9.00 a.m. – 12.00 p.m.

(3 Hours)

---

### INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 4 pages excluding cover page with 5 Questions only.
2. Attempt all **FIVE** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

**QUESTION 1**

An audit report prepared by Ellie and Ying, Certified Public Accountant (CPA), is provided below. The audit for the year ended 31 March 2018 was completed on 1 June 2018, and the report was issued to JOM Sdn. Bhd, a private company, on 13 June 2018.

We have examined the accompanying financial statements of JOM Sdn. Bhd. as of 31 March 2018. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Malaysia. Those principles require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except for the effects of not capitalizing certain lease obligations that should be capitalized in order to conform with generally accepted accounting principles, the financial statements referred to above present accurately the financial position of JOM Sdn. Bhd as of 31 March 2018, in conformity with MFRS.

Ellie and Ying, CPAs

13 June 2018

**Required:**

- a) Based on the components of unqualified audit report, discuss if the above audit report covers all the components of an unqualified audit report. (10 marks)
- b) Discuss **THREE** (3) reasons why auditors are responsible for "reasonable" but not "absolute" assurance. (6 marks)

**Continued...**

c) Briefly explain each of the management assertion below related to account balances at period end in respect of the following:

- (i) Existence;
- (ii) Completeness;
- (iii) Valuation & allocation;
- (iv) Rights & obligations.

(4 marks)

**(Total: 20 marks)**

## **QUESTION 2**

- Processing purchase orders;
- Receiving goods and services;
- Recognizing the liability;
- Processing and recording cash disbursements.

a) Discuss each of the four business functions above that comprise the acquisition and payment cycle. (8 marks)

b) Explain the distinction between accounting and auditing? (6 marks)

c) Discuss how internal auditors can have an 'independent mental attitude' when they are employed by the company they audit. (6 marks)

**(Total: 20 marks)**

**Continued...**

**QUESTION 3**

A. Allan is a newly joined trainee in O&Y audit firm. As the audit manager, you have prepared the below notes to assist Allan to understand the phases of audit process. They are as follows,

- (i) Plan and design an audit approach.
- (ii) Perform tests of controls and substantive tests of transactions.
- (iii) Perform analytical procedures and tests of details of balances.
- (iv) Complete the audit and issue an audit report.

**Required:**

Discuss the activities and procedures performed by the auditor in each of the above four phases of an audit. (8 marks)

B. International Standard on Auditing 400 on Risk Assessments and Internal Control requires auditors to consider audit risk and materiality when planning and performing an examination of financial statements in accordance with approved auditing standards. Audit risk and materiality should also be considered together in determining the nature, timing and extent of audit procedures and in evaluating the results of those procedures.

**Required:**

- (i) Briefly explain why materiality is important to auditors. (4 marks)
- (ii) Define the **THREE** (3) components of audit risk and explain their inter-relationship. (8 marks)

**(Total: 20 marks)**

**Continued...**

**QUESTION 4**

Risk and materiality are fundamental concepts in planning the audit and designing of the audit approach. The auditors should plan their work in order to perform the audit in an effective manner. Audit planning would normally start after an auditor accepts his engagement.

**Required:**

- a) Discuss **THREE** (3) main steps in planning for an audit. (6 marks)
  - b) Explain **THREE** (3) benefits derived from audit planning. (6 marks)
  - c) Describe **FOUR** (4) importance of an audit programme. (8 marks)
- (Total: 20 marks)**

**QUESTION 5**

Auditors are given certain rights under Section 266 of the Companies Act 2016. This is to assist them in performing their audit and to gather sufficient appropriate audit evidence.

**Required:**

- a) Describe auditor's rights in obtaining audit evidence under Section 266 of the Companies Act 2016. (4 marks)
  - b) Explain **FIVE** (5) factors that may affect the reliability of audit evidence. (10 marks)
  - c) Distinguish between internal documentation and external documentation as a form of audit evidence. (6 marks)
- (Total: 20 marks)**

**End of Paper**